

Information on options available on Retirement from the KZN Municipal Pension Fund

1. Introduction

The purpose of this note is to provide you with information and highlight important points that you should consider in planning how you will use your retirement benefit from the KZN Municipal Pension Fund when you retire from the Fund.

It also includes an explanation of the KZN Municipal Pension Fund's annuity strategy in terms of regulation 39 of the Pension Fund's Act.

- **In addition, to the information in this document, you should review the following brochures which will assist you in making the right decisions on retirement:**
 - *What you get when you retire from the Fund (Information on your retirement options)*
 - *Member Investment Choice (A brief description of the Investment Choice Portfolios) – note only the Investment Choices listed below are applicable to you if you choose the In-Fund Living Annuity.*
 - *Tax Implications (information on how your tax will be calculated)*
 - *Fund Fact Sheets (saved on Fund's Website www.kznmpf.org provides details on the Investments Choices Offered)*

At the outset it is important to state that considering the complexity of the options available, you are encouraged to obtain assistance from a professional financial advisor to establish which option is the most appropriate for you given your particular circumstances.

2. When is my Normal Retirement Day

Your Normal Retirement Age (NRA) is the last day of the month in which you turn 63 years or such later date as set out in your contract of Employment.

Am I allowed to retire early?

You may elect to retire at any age after 55. Remember, the size of your retirement benefit (Fund Credit) in this Fund depends on how long you have been contributing to the Fund (or any other fund from which you have transferred in money).

3. Can I choose to receive a portion of my Fund Credit as a cash lump sum?

You can draw a part, up to the maximum of one third, of your Fund Credit as a cash lump sum which would be subject to tax based on the retirement scale.

Is the cash lump sum taxable?

There is a tax-free amount up to R500 000 and you will also be entitled to receive any pre-March 1998 tax free amounts arising from your service before March 1998.

4. What type of pension/ annuity can I buy with the balance of my Fund Credit?

You can use the balance (after taking up to a maximum of one third your Fund Credit in cash) of your Fund Credit to buy a monthly pension/annuity either in the Fund (In-Fund Annuity) or from outside the Fund from a registered insurer of your choice. This monthly annuity is subject to normal tax rates. For the different types of pension/annuity options refer to the brochure "**What you get when you retire from the Fund.**"

5. KZN Pension Fund's Annuity Strategy

The Trustees of the KZN Municipal Pension Fund have established an Annuity Strategy as required in terms of regulation 39 of the Pension Fund's Act.

The Annuity Strategy cannot be viewed in isolation from **Financial Advice** due to individual circumstances and the complexity of the various annuity option available to you. The KZN Municipal Pension Fund's Annuity Strategy is only one of those options, and may or may not be suitable to you. Please refer to **point 6 below, Financial Advice.**



Industry statistics provided by the Association for Savings Investments SA (ASISA) indicate that more than 90% of annuities that are purchased are Living Annuities and this statistic is similar to the type of annuities purchased by the retirees on your Fund.

As part of the Fund's Annuity Strategy the Trustees have decided that retiring members make use of the In-fund Living Annuity option. The key advantage of the KZN Municipal Pension Fund's In-Fund Solution, when compared to an out of Fund living annuity is that the investment and advice fees are significantly lower (at Institutional rates) than if a retiring member were to buy a Living Annuity in the Retail market (Retail rates). Refer to the Member Investment Choice brochure for more information on the member investment choices offered by the Fund – note the **default portfolio for the In-Fund Living Annuity option is the Moderate Portfolio**.

In terms of regulation 39 the Trustees have decided on the following **4 default investment portfolios** in respect of the In-Fund Living annuity options.

INVESTMENT PORTFOLIO	INVESTMENT TIME HORIZON	ANNUAL GROWTH BENCHMARK	TOTAL INVESTMENT COST (TIC) - 2018
KZN Managed Fund	5 years	Inflation + 5/6%	0.646%
KZN Defensive Fund	5 years	Inflation + 4%	0.432%
KZN Money Market Fund	1 year	Inflation + 2%	0.150%
KZN Global Balanced Fund	5 years	Inflation + 5%	To Be Confirmed

If for any reason you decide that the In-Fund option is not for you then you may elect to purchase another pension outside the Fund. For more information on your options on retirement refer to the brochure "**What you get when you retire from the Fund**".

6. Financial Advice

Even though the Front Office cannot provide you with financial advice they can provide you with information in order to assist you in making the right decision. We therefore encourage you to make an appointment with Mr V Ngcobo to discuss your options at retirement.

Advice from a Financial Planner/ Advisor will support all your decisions as you plan for retirement. It is advisable to seek advice from a planner who is certified by the Financial Planning Institute (FPI).

The Front Office will be holding pre-retirement fund seminars two times a year. If you are thinking about taking early retirement or you are close to Normal Retirement Age then you should attend one of the planned seminar dates.

Date	Type of Seminar	Venue
02/05/2019	Pre-Retirement Seminar	Front Office
05/09/2019	Pre-Retirement Seminar	Front Office

As the decisions you take at retirement is of the most important decisions you will make in your life, you should look at when you are wanting to retire and mark one of the dates above that is suitable for you to attend the retirement seminar.

7. Where to from here?

If there is any aspect about the retirement and annuity options in this information note (and brochures referred to above) that you don't understand, including the KZN Municipal Pension Fund's annuity strategy, and you want to discuss these with someone to get a better understanding; then please contact the Front Office, where you will be assisted further.

If you are at the point where you want to discuss your retirement options, you should approach the Fund's appointed Retirement Benefit Counsellor at the **Front Office** on **031 322 9001** to assist you further or you may contact your own Financial Planner. Even if you have your own Financial

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Planner we encourage you to speak to the Front Office regarding the In-Fund Annuity as your Financial Planner may not be aware of the In-Fund Annuity option.

Contact your HR liaison office regarding the completion of the Retirement Claim forms required by Alexander Forbes to process the payment of your Retirement Benefit.

Retirement forms should be completed at least 1 month prior to your Retirement Date in order that your chosen pension or annuity can be set-up and paid in good time.

It is important that your tax affairs are in order with the South African Revenue Services (SARS) as Alexander Forbes must obtain tax approval/ directive before paying your benefit.